

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Mortgage Banker Licenses of:

No. 08F-BD009-BNK

3 **FIRST MAGNUS FINANCIAL**  
4 **CORPORATION DBA GREAT**  
5 **SOUTHWEST MORTGAGE, CHARTER**  
6 **FUNDING, GOLD MORTGAGE CENTER,**  
7 **FROST MORTGAGE, COLONIAL HOME**  
8 **LOANS, AND FIRST MAGNUS HOME**  
9 **LOANS**

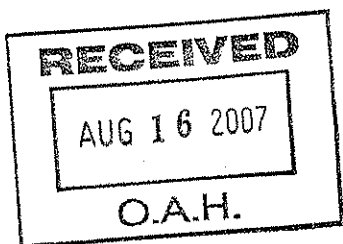
603 N. Wilmot Road  
Tucson, AZ 85711

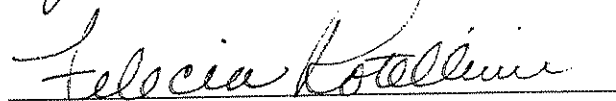
**ORDER OF SUMMARY SUSPENSION  
AND NOTICE OF HEARING TO REVOKE**

8 The Arizona Department of Financial Institutions (the "Department") hereby finds that FIRST  
9 MAGNUS FINANCIAL CORPORATION DBA GREAT SOUTHWEST MORTGAGE, CHARTER  
10 FUNDING, GOLD MORTGAGE CENTER, FROST MORTGAGE, COLONIAL HOME LOANS,  
11 AND FIRST MAGNUS HOME LOANS ("Respondents") have violated the provisions of the Arizona  
12 Revised Statutes ("A.R.S."), Title 6 as set forth below and finds that the public health, safety, and  
13 welfare require emergency action pursuant to A.R.S. §§ 6-945 and 41-1092.11(B).  
14

15 **THEREFORE, IT IS ORDERED** to summarily suspend the Arizona mortgage banker licenses  
16 held by Respondents, effective immediately, pending the proceedings for revocation commenced this  
17 date. **This suspension is effective immediately.**

18 DATED this 16th day of August, 2007.



20   
21 By: Felecia Rotellini  
22 Superintendent of Financial Institutions

23 **NOTICE OF HEARING AND COMPLAINT**

24 PLEASE TAKE NOTICE that, pursuant to Arizona Revised Statutes ("A.R.S.") §§ 6-138, and  
25 41-1092.02, the above-captioned matter will be heard through the Office of Administrative Hearings,  
26 an independent agency, and is scheduled for October 1, 2007, at 9:00 a.m., at the Office of  
27

1 Administrative Hearings, 1400 West Washington, Suite 101, Phoenix, Arizona, (602) 542-9826 (the  
2 "Hearing").

3 The purpose of the Hearing is: (1) to determine whether grounds exist to suspend or revoke  
4 Respondents' mortgage banker license; (2) to order any other remedy necessary or proper for the  
5 enforcement of statutes and rules regulating mortgage bankers in Arizona pursuant to A.R.S. §§ 6-123  
6 and 6-131; and (3) to impose a civil money penalty pursuant to A.R.S. § 6-132.

7 Pursuant to A.R.S. § 6-138, the Superintendent of Financial Institutions for the State of Arizona  
8 (the "Superintendent") delegates the authority vested in the Superintendent, whether implied or  
9 expressed, to the Director of the Office of Administrative Hearings or the director's designee to preside  
10 over the Hearing as the Administrative Law Judge, to make written recommendations to the  
11 Superintendent consisting of proposed Findings of Fact, Conclusions of Law, and Order. The Office  
12 of Administrative Hearings has designated Lewis Kowal at the address and phone number listed above,  
13 as the Administrative Law Judge for these proceedings. Pursuant to Arizona Administrative Code  
14 ("A.A.C.") Rule 2-19-104 and A.R.S. §§ 41-1092.01(H)(1) and 41-1092.08, the Superintendent retains  
15 authority to enter orders granting a stay, orders on motions for rehearing, final decisions pursuant to  
16 A.R.S. § 41-1092.08 or other order or process which the Administrative Law Judge is specifically  
17 prohibited from entering.

18 Motions to continue this matter shall be made in writing to the Administrative Law Judge **not**  
19 **less than fifteen (15) days** prior to the date set for the Hearing. A copy of any motion to continue  
20 shall be mailed or hand-delivered to the opposing party on the same date of filing with the Office of  
21 Administrative Hearings.

22 A.R.S. § 41-1092.07 entitles any person affected by this Hearing to appear in person and by  
23 counsel, or to proceed without counsel when submitting evidence, to have a reasonable opportunity to  
24 inspect all documentary evidence, to cross-examine witnesses, to present evidence and witnesses in  
25 support of his/her interests, and to have subpoenas issued by the Administrative Law Judge to compel  
26  
27

1 attendance of witnesses and production of evidence. Pursuant to A.R.S. § 41-1092.07(B), any person  
2 may appear on his or her own behalf or by counsel.

3 Pursuant to A.R.S. § 41-1092.07(E), a clear and accurate record of the proceedings will be  
4 made by a court reporter or by electronic means. Any party that requests a transcript of the  
5 proceedings shall pay the cost of the transcript for the court reporter or other transcriber.

6 Questions concerning issues raised in this Notice of Hearing should be directed to Assistant  
7 Attorney General Craig A. Raby, (602) 542-8889, 1275 West Washington, Phoenix, Arizona 85007.

#### 8 NOTICE OF APPLICABLE RULES

9  
10 The hearing will be conducted pursuant to A.A.C. R20-4-1201 through R20-4-1220 and the  
11 rules governing procedures before the Office of Administrative Hearings, A.A.C. R2-19-101 through  
12 R2-19-122. A copy of these rules is enclosed.

13 Pursuant to A.A.C. R20-4-1209, Respondents shall file a written answer **within twenty (20)**  
14 **days** after issuance of this Notice of Hearing. The answer shall briefly state the Respondents' position  
15 or defense and shall specifically admit or deny each of the assertions contained in this Notice of  
16 Hearing. If the answering Respondents are without or are unable to reasonably obtain knowledge or  
17 information sufficient to form a belief as to the truth of an assertion, Respondents shall so state, which  
18 shall have the effect of a denial. Any assertion not denied is deemed admitted. When Respondents  
19 intend to deny only a part or a qualification of an assertion, or to qualify an assertion, Respondents  
20 shall expressly admit so much of it as is true and shall deny the remainder. Any defense not raised in  
21 the answer is deemed waived.

22  
23 **If a timely answer is not filed, pursuant to A.A.C. R20-4-1209(D), Respondents will be**  
24 **deemed in default** and the Superintendent may deem the findings in this Notice of Hearing as true and  
25 admitted and the Superintendent may take whatever action is appropriate, including (1) suspension or  
26 revocation of Respondents' license; (2) any other remedy necessary or proper for the enforcement of  
27 statutes and rules regulating mortgage bankers in Arizona pursuant to A.R.S. §§ 6-123 and 6-131; and

1 (3) imposing a civil money penalty pursuant to A.R.S. § 6-132..

2 Respondents' answer shall be mailed or delivered to the Arizona Department of Financial  
3 Institutions, 2910 North 44th Street, Suite 310, Phoenix, Arizona 85018, with a copy mailed or  
4 delivered to the Office of Administrative Hearings, 1400 West Washington, Suite 101, Phoenix,  
5 Arizona 85007 and to Assistant Attorney General Craig A. Raby, Consumer Protection & Advocacy  
6 Section, Attorney General's Office, 1275 West Washington, Phoenix, Arizona 85007.

7 **Persons with disabilities may request reasonable accommodations such as interpreters,**  
8 **alternative formats, or assistance with physical accessibility.** Requests for special accommodations  
9 must be made as early as possible to allow time to arrange the accommodations. If accommodations  
10 are required, call the Office of Administrative Hearings at (602) 542-9826.  
11

#### 12 FACTS

13 1. FIRST MAGNUS FINANCIAL CORPORATION DBA GREAT SOUTHWEST  
14 MORTGAGE, CHARTER FUNDING, GOLD MORTGAGE CENTER, FROST MORTGAGE,  
15 COLONIAL HOME LOANS, AND FIRST MAGNUS HOME LOANS (hereinafter "Respondents")  
16 are an Arizona corporation authorized to transact business in Arizona as a mortgage banker, license  
17 numbers BK 0018293; 0903297; 0903385; 0905594; 0905760; 0907420; and 0909158, within the  
18 meaning of A.R.S. §§ 6-941, *et seq.* The nature of Respondents' business is that of making,  
19 negotiating, or offering to make or negotiate loans secured by Arizona real property, within the  
20 meaning of A.R.S. § 6-941(5).  
21

22 2. On August 16, 2007, the Department learned, from other state regulators and a  
23 newspaper report, that Respondents "will not fund any future mortgage loans, and is no longer  
24 accepting mortgage loan applications or funding any mortgage loans previously originated and not yet  
25 funded." (See Exhibit A attached and incorporated herein by reference).  
26 ...  
27

3. Respondents have notified all branch managers that they "must substantially reduce [their] workforce" and for most of their employees their last day of employment is August 16, 2007. (See Exhibit A).

4. Despite the Department's requests, Respondents have not provided any information involving loans in process, loans that closed, but not yet funded for Arizona borrowers, and have not provided any information to the Department relating to their financial condition.

5. Respondents are the largest, privately-owned mortgage lender in the state of Arizona and have operations in many states. Due to Respondents' lack of responsiveness; failure to notify the Department of any impending closure; and the apparent exigency with which Respondents shut down their operations without prior notice to any employees, demonstrates an immediate threat to the public welfare of the citizens of Arizona and any borrowers nationwide.

6. The conduct described above constitutes an immediate threat to the public health, safety, and welfare warranting immediate suspension of Respondents' mortgage banker licenses because Respondents are insolvent.

## LAW

1. Pursuant to A.R.S. Title 6, Chapter 9, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage banker business and with the enforcement of statutes, rules, and regulations relating to mortgage bankers.

2. By the conduct set forth above in the Complaint, Respondents have violated the following:

a. A.R.S. § 6-945(A)(1) by being insolvent as defined in A.R.S. § 47-1201.

3. Respondents have not conducted business in accordance with the law and violated Title 6, Chapter 9 and the rules relating to this chapter, which are grounds for the suspension or revocation of Respondents' license pursuant to A.R.S. § 6-945.

4. The violation, set forth above, constitutes grounds for the pursuit of any other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage bankers in Arizona

1 pursuant to A.R.S. §§ 6-123 and 6-131.

2 5. Pursuant to A.R.S. § 6-132, Respondents' violations of the aforementioned statutes are  
3 grounds for a civil penalty of not more than five thousand dollars (\$5,000.00) for each violation for  
4 each day.

5 WHEREFORE, if after a hearing, the Superintendent makes a finding of one or more of the  
6 above described violations or other grounds for disciplinary action, the Superintendent may: (1)  
7 suspend or revoke Respondents' mortgage banker license pursuant to A.R.S. § 6-945; (2) order any  
8 other remedy necessary or proper for the enforcement of statutes and rules regulating mortgage  
9 bankers in Arizona under A.R.S. §§ 6-123 and 6-131; and (3) impose a civil money penalty pursuant to  
10 A.R.S. § 6-132.

11 DATED this 16th day of August, 2007.

12  
13 By Felecia Rotellini  
14 Felecia A. Rotellini  
15 Superintendent of Financial Institutions

16 ORIGINAL of the foregoing filed this 16th  
17 day of August, 2007, in the office of:

18 Felecia Rotellini  
19 Superintendent of Financial Institutions  
20 Arizona Department of Financial Institutions  
21 ATTN: June Beckwith  
22 2910 N. 44th Street, Suite 310  
23 Phoenix, AZ 85018

24 COPY mailed/delivered same date to:

25 Craig Raby, Esq.  
26 Assistant Attorney General  
27 Attorney General's Office  
1275 West Washington  
Phoenix, AZ 85007

1 Richard Fergus, Division Manager  
2 Arizona Department of Financial Institutions  
3 2910 N. 44th Street, Suite 310  
4 Phoenix, AZ 85018

5 Robert D. Charlton, Assistant Superintendent  
6 Arizona Department of Financial Institutions  
7 2910 N. 44th Street, Suite 310  
8 Phoenix, AZ 85018

9 HAND-DELIVERED AND  
10 COPY MAILED SAME DATE, by  
11 Certified mail, return receipt requested to:

12 Gurpreet S. Jaggi, President  
13 First Magnus Financial Corporation  
14 603 N. Wilmot Road  
15 Tucson, AZ 85711  
16 Gurpreet S. Jaggi  
17 4055 N. Kolb Road  
18 Tucson, AZ 85750

19 Douglas G. Lemke  
20 Statutory Agent for:  
21 First Magnus Financial Corporation  
22 603 N. Wilmot Road  
23 Tucson, AZ 85711

24 BY: 

25 Signature of Sender  
26  
27

**From:** "Christensen, Craig [IDOB]" <Craig.Christensen@idob.state.ia.us>  
**To:** "Berger, Erin (DOB)" <Erin.Berger@state.ma.us>, ...  
**Date:** 8/16/2007 7:49 am  
**Subject:** RE: MMBA FYI-First Magnus - Not funding any more loans (plaintextonly)

I had a branch manager send me this this morning

From: G.S. Jaggi [mailto:G.S.Jaggi@firstmagnus.com]  
Sent: Thursday, August 16, 2007 5:50 AM  
Subject: From the Management Team of First Magnus Financial Corporation

<<http://www.firstmagnus.com/>>

From the Management Team of First Magnus Financial Corporation:

It is with heavy hearts that we send this email to so many of you who have become our friends. Due to unprecedented conditions in both the national real estate market and the secondary mortgage market, First Magnus has been forced to stop accepting new loan applications or funding loans effective today. The national media is filled with stories describing the extraordinary "credit crunch" faced by many financial institutions, which now, unfortunately, includes First Magnus. As described by The Mortgage Bankers Association (MBA), the National Association of Home Builders (NAHB) and the National Association of Realtors (NAR) in a recent letter, "The nation's mortgage markets are facing a liquidity crisis of a force and magnitude not seen in decades."

Despite our efforts to continue normal operations, we have come to a point when we must substantially reduce our workforce. What this means for most of our employees is that Thursday, August 16, 2007 will be your last day of employment. Detailed information regarding payroll, benefits and other human resource related matters will be available as soon as possible. First Magnus fully expects to pay all employees their wages due but you should expect a short delay in payroll. Immediate questions regarding your payroll and benefits should be directed to the Human Resources Department at 520.618.9000.

Our workforce reduction is certainly not a reflection of the value or dedication of our employees. We are honored to have had the opportunity to work with all of you and appreciate all that you have done to make First Magnus the company that it had become.

Exhibit A





It has been our privilege to be associated with such a phenomenal group of individuals.

- Jaggi, Karl, Gary & Dom

<<http://www.firstmagnus.com/>>

<<http://www.firstmagnus.com/EqualHousingLender.aspx>>  
<<http://www.firstmagnus.com/EqualHousingLender.aspx>>

If you have any additional questions please reply to this email or contact me at the number listed below.

Craig D. Christensen

Sr. Examiner - Finance Bureau

Iowa Division of Banking

200 E. Grand Avenue, Suite 300

Des Moines, Iowa 50309

515-281-4014

515-242-0272 (direct)

515-281-4862 (fax)

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From: Berger, Erin (DOB) [mailto:[Erin.Berger@state.ma.us](mailto:Erin.Berger@state.ma.us)]  
Sent: Thursday, August 16, 2007 9:42 AM

To: rentring@nd.gov; ndebnarik@dobi.state.nj.us;  
Nick.Kyrus@scc.virginia.gov; PSPEIGHT@corp.ca.gov; Gibson, Paul (DOB);  
phildreth@banking.state.nh.us; rschutte@wyaudit.state.wy.us;  
randall.james@banking.state.tx.us; RFergus@azdfi.gov;  
Rholda.Ricketts@banking.state.ny.us; rich.weaver@dof.mo.gov;  
richard.neiman@banking.state.ny.us; richard.fulkerson@dora.state.co.us;  
rcharlton@azdfi.gov; RFleury@banking.state.nh.us;  
robert.glen@state.de.us; Reed, Rod [IDOB]; roger.novotny@state.sd.us;  
stsailer@nd.gov; sheley@dbf.state.ga.us;  
scott.corscadden@banking.alabama.gov;  
sharon.caurthens@banking.state.ny.us; silvana.rondon@illinois.gov;  
sjarvis@dfi.wa.gov; sknudson@bishca.state.vt.us;  
Stanley.Wojciechowski@illinois.gov; Stephen.taylor@dc.gov; Antonakes,  
Steve (DOB); steve\_cayouette@dbf.state.ri.us; Cofsky, Steve (DOB);  
sclark@bishca.state.vt.us; stoth@dobi.state.nj.us;  
susan.hancock@scc.virginia.gov; ntaylor@mt.gov;  
tcandon@bishca.state.vt.us; tbrowning@nccob.org;  
Terry.McEwen@dobi.state.nj.us; tbrady@dbcf.state.ms.us;  
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timothy.winslow@dfi.com.state.oh.us; tkarsky@nd.gov;  
thomas.hunt@dobi.state.nj.us; tpalin@bishca.state.vt.us; Gronstal, Tom  
[IDOB]; tony.vasile@ct.gov; tmccain@dbcf.state.ms.us; thudson@wvdo.org;  
veronica.fischer@state.sd.us; william.n.lund@maine.gov;  
William.Brennan@banking.state.ny.us; william.verant@state.nm.us;  
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albert.gabriel@banking.state.ny.us; andy.grosmaire@fldfs.com;  
angoodwin@mt.gov; anthony.polidori@finance.idaho.gov;  
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chrisn.thompson@ky.gov; Pope, Christopher (DOB); Christensen, Craig  
[IDOB]; daniel.landini@ct.gov; ddomingue@ofi.state.la.us;  
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george.mcgee@fldfs.com; ggee@fin.state.id.us; greg.gonzales@state.tn.us;  
Short, Gregory (DOB); henry.vigil@state.nm.us; howard.amer@dc.gov;  
Howard.Pitkin@ct.gov; jallison@dbcf.state.ms.us; jkeiser@state.pa.us;  
jshepard@banking.state.nh.us; janell.fibikar@dfi.state.wi.us;  
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joe.face@scc.virginia.gov; Prendergast, John M. (DOB);  
John.Pavlovsky@dobi.state.nj.us; john.harper@fldfs.com;  
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kevin.murphy@state.mn.us; kgriffin@banking.state.nh.us;  
klgundr@michigan.gov; kleitheiser@mt.gov;  
Ktierney@securities.arkansas.gov; laura.royal@fldfs.com;  
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cludwig@nd.gov; maitchison@wyaudit.state.wy.us; mpearce@nccob.org;  
Marlene.Mannix@ct.gov; MLEVERET@utah.gov; mary.geesling@state.co.us;  
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mike.larsen@finance.idaho.gov; mike.mach@dfi.state.wi.us;  
mjurta@banking.state.nh.us; mkelley@DFI.CA.GOV;  
mmarques@dbr.state.ri.us; mortgage@dcca.hawaii.gov; mtarpey@dfi.in.gov;  
MOlson@dfi.wa.gov; jschroeder@dfi.in.gov  
Subject: FW: MMBA FYI-First Magnus - Not funding any more loans

Please see the information below.

Thanks,

Erin D Berger

Senior Bank Examiner

Commonwealth of Massachusetts

Division of Banks

One South Station, 3rd Floor

Boston, Massachusetts 02110

phone: 617-956-1500 x653

fax: 617-956-1598

---

From: Antonakes, Steve (DOB) [mailto:Steve.Antonakes@state.ma.us]  
Sent: Thursday, August 16, 2007 10:28 AM  
To: Berger, Erin (DOB)  
Subject: FW: MMBA FYI-First Magnus

Erin,

Please send this to the group.

Steve

**IMPORTANT NOTICE:**

**FIRST MAGNUS IS NO LONGER FUNDING ANY MORTGAGE LOANS**

In light of the collapse of the secondary mortgage market, First Magnus will not fund any future mortgage loans, and is no longer accepting any mortgage loan applications or funding any mortgage loans previously originated and not yet funded. We explored all options before taking this action but were left with no viable alternative.

First Magnus values the relationships we have formed with all of our broker partners over the years and appreciate the trust you have shown in us. We are saddened that we will no longer have the opportunity to work with you.

For information about loans already submitted to First Magnus, please call  
520.618.9000

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